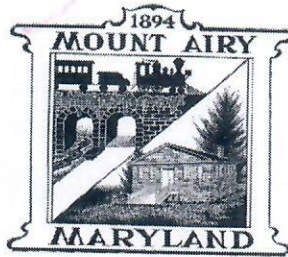


PATRICK T. ROCKINBERG
Mayor

LARRY G. HUSHOUR
Council President



Council Members
JASON M. POIRIER
Secretary

PAMELA M. REED
KARL L. MUNDER
PATRICIA R. WASHABAUGH

MEMORANDUM

TO: Mayor and Town Council
FROM: David Warrington
SUBJECT: Urban Renewal Authority
DATE: October 28, 2019

Background

Cities and Towns throughout the State of Maryland have issues with properties that are abandoned, blighted and/or in disrepair. In order to address these sites/areas the State of Maryland will grant Urban Renewal Authority to a local government which provides a means to address the blighted/slum properties. This authority must be granted by statute through the Maryland General Assembly. Attached is a list of municipalities that currently have Urban Renewal Authority (A). The Town of Mount Airy does not have such Authority.

Proposal

It is being proposed that the Town of Mount Airy seek Urban Renewal Authority via an enabling bill in the 2020 Legislative Session in Annapolis. An example of the 17 page boiler plate statute has been sent via email.

Why seek the authority?

In my previous town, there were a number of commercial, industrial, office and residential structures that were abandoned/blighted. The town was powerless in getting the owners to take any corrective action. Frustrated, in 1996 the town sought Urban Renewal Authority from the State Legislature. Once obtained, it placed a new tool in the town's toolbox and allowed them to begin addressing the blighted and slum areas. I have attached an article that is just one example of how this tool was used (B).

How will it work?

Attached are Policies and Procedures (C) that mimic the requirements in the statute that will serve as a guide in the process. It is always preferable to work with property owners with the intent of correcting a problem without going to court. The approach should always be solution before litigation.

Measured risk

Mark Twain is quoted as saying "Necessity is the mother of taking chances". Once the authority has been obtained, every attempt should be taken to limit the Town's risk in the Urban Renewal process.

In my past Urban Renewal projects, my goal was to limit the Town's risk by having one or multiple buyers ready to purchase any property the Town was about to purchase. In flipping residential properties the goal was never to make money for the Town, but to just get the property fixed. In one instance, the Town purchased a property for \$35,000, sold it to a company that made \$60,000 in repairs and it was sold for \$195,000. The neighbors were happy as this partially completed home was finally finished after 12 years. The town was happy as complaints and crime on the site ended along with an increase tax revenue. The developer was happy because he made a good profit on the flip. Prior to having Urban Renewal Authority, the owner just kept promising to finish the house year after year and complaining to the Police Department about the people hanging-out in the structure.

As noted in the attached article about the industrial piece of property, the risk was mitigated by having a company making monthly rent-to-own payments that fully covered the expenses of the bond taken to purchase and improve the property. To lower the risk, the Town also held in reserve enough to continue to make the bond payments for many months in the event something went wrong with the tenant. This would give the Town time to either find another tenant or sell the property to recoup the bond costs. The property was sold for \$1 on July 12, 2017.

What if we never use it?

It is okay if the Town of Mount Airy never uses the authority, but it will be there if it is ever needed. Sometimes it is just knowing the tool can be used serves as a motivator to a property owner. In more than one case, once an owner is informed of the process they decide to sell the property to the Town for the appraisal price.

What is the cost to the Town to get Urban Renewal Authority?

Nothing.

What does the Town have to lose?

Nothing.

What does the Town have to gain?

The ability to definitively address the issue of abandoned/blighted properties.

Municipalities with Urban Renewal Authority Year of Authorization

(MML - 4/07)

1961

Annapolis
Cambridge
Cumberland
Easton
Elkton
Frederick
Frostburg
Hagerstown
Port Deposit
Rockville
Salisbury
Westminster

1963

Aberdeen
Bel Air
Berlin
Centreville
College Park
Crisfield
Glenarden
Havre de Grace
Hyattsville
Laurel
Leonardtown
Mount Rainier
Ocean City
Pocomoke City
Princess Anne
Snow Hill
Westernport

1964

Bowie
Capital Heights
Fairmount Heights

1966

Colmar Manor

1968

Riverdale Park
Seat Pleasant

1969

Morningside

1975

Chestertown
Denton
Federalsburg

1977

Oxford
Queen Anne
St. Michael's
Trappe

1978

North Beach
Perryville

1996

Betterton
Cheverly
Taneytown

1998

Bladensburg

1999

District Heights

2002

Capital Heights
Charlestown
Cottage City
Goldsboro
Greensboro
Henderson
Hillsboro
Landover Hills
Marydel
Preston
Ridgely

2004

Sudlersville

2005

Boonsboro

2007

Brookview
Eldorado
Galestown
Hurlock

Cheverly's Urban Renewal Program

BY DAVID W. WARRINGTON, TOWN ADMINISTRATOR, CHEVERLY

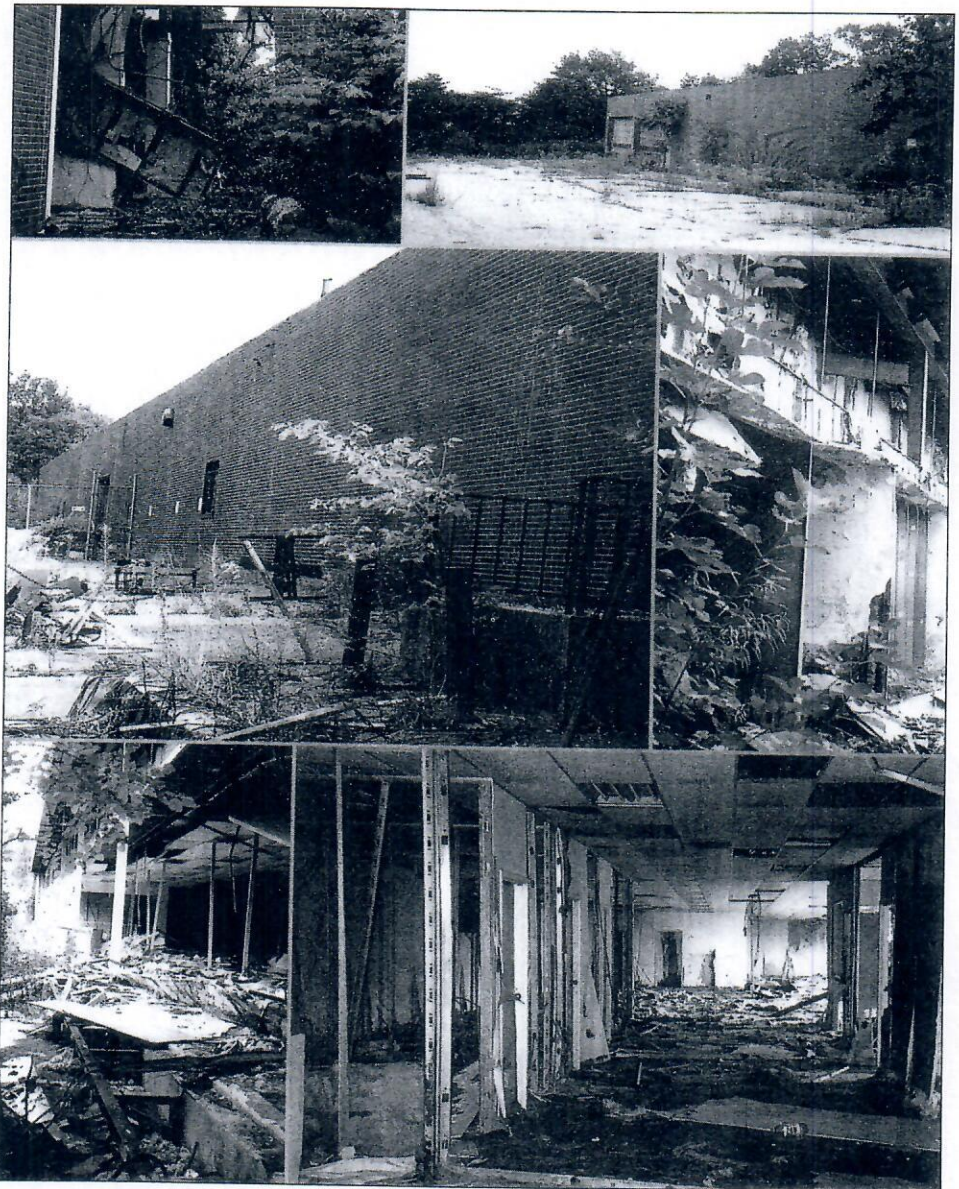


The Town of Cheverly established its Urban Renewal Program out of a desperate need to stop urban blight, protect property values and improve the quality of life. The Town has no zoning powers and because blighted and abandoned properties posed no threat to the life, health and welfare of any occupant, the County could only issue citations for trash and ensure that structures were boarded-up.

At our urging, the Prince George's County Delegation introduced a bill in the Maryland General Assembly giving the Town urban renewal authority, which 45 other jurisdictions already had. Upon the bill's passage and its signing by Governor Glendening in July 1996, the Town established a five citizen Planning Board and developed a comprehensive urban renewal plan. The plan listed commercial and residential properties that had become blighted, and the corrective action for these blighted conditions. The Cheverly Town Council adopted the plan on May 7, 1997. Up to this point, the program had no costs except for staff time.

The first order of business in the urban renewal plan was the 6.3 acre, 47,000 square foot for-

mer Citizen's Bank headquarters at 2627 Pepsi Place in Cheverly's Industrial Park. The building had been vacant and severely vandalized for 14 years. Pursuant to condemnation procedures, the



Town ordered an appraisal to determine the fair market value. This appraisal deducted the price of repairs from the market selling price that resulted in a lower appraised value. Upon completion of the appraisal, the Town persuaded the New York owner that he could avoid court costs, legal expenses, capital gains taxes, and an inevitable condemnation by entering into a contract of sale pending condemnation. The owner agreed to the sale.

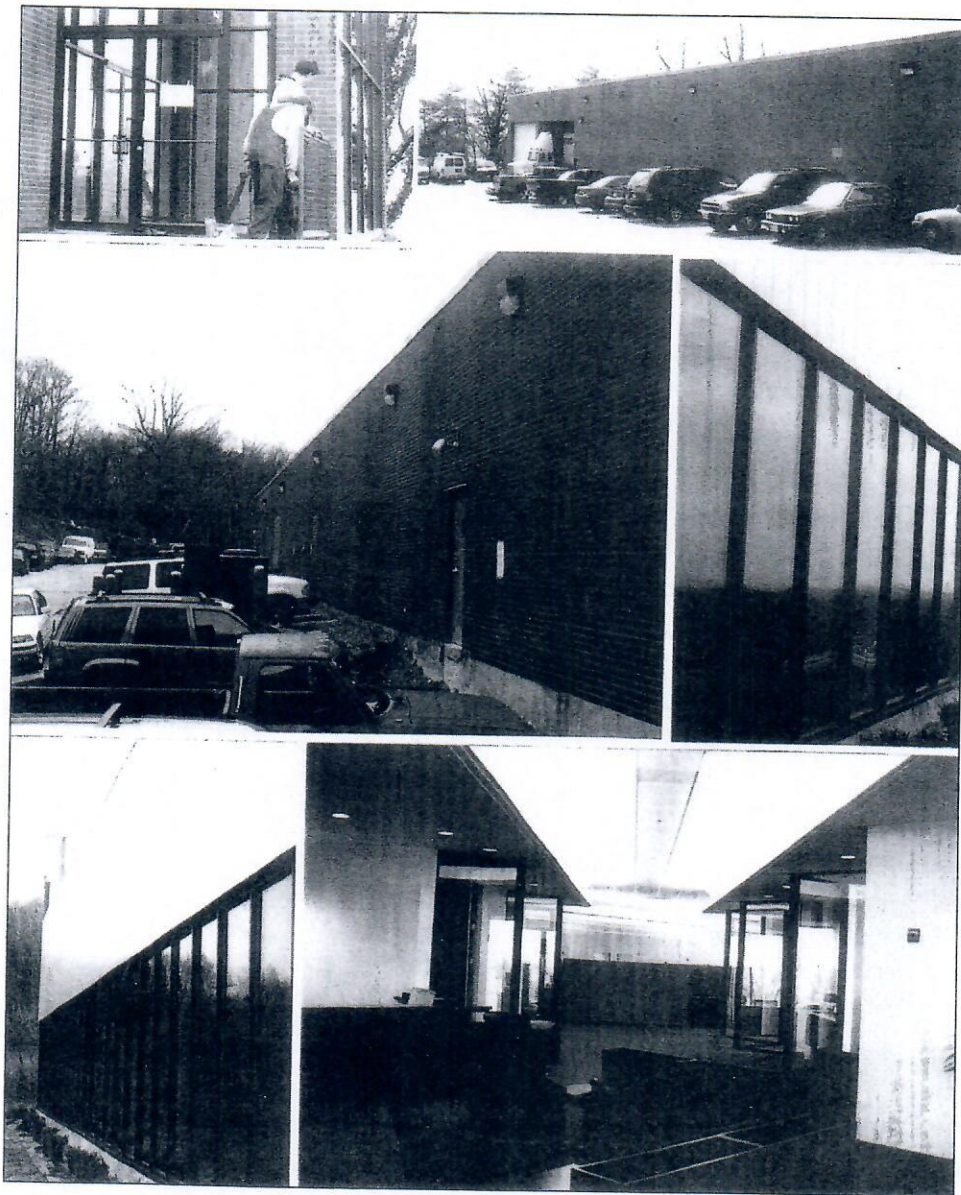
The Town's new urban renewal plan called for someone to lease or re-purchase the property, and make capital improvements so that Cheverly would not become a slum landlord. A Request For Proposal netted three very different responses. The first was a request to purchase only the rear

parking lot, leaving the Town as the owner of the dilapidated building. The second response proposed leasing the property and making minimal capital improvements to create a warehouse facility. The third proposal met the Town's desire to lease the property and make capital improvements, but with a twist. This proposal was made by a printing company that requested the Town to obtain a bond for \$3.6 million, purchase the property (\$1 million), lease the property to them for 20 years, set aside a security deposit, and fund the capital improvements with the balance of the bond (\$2.6 million). After a great deal of negotiating and careful consideration, the Town formed a long-term public/private partnership with Fontana Lithograph, accepted its proposal, and floated a \$3.6 million dollar municipal bond.

Success sometimes requires innovation and breaking new ground. This small town with a mere \$2 million annual budget made a bold move by taking the problem of urban blight and finding a solution. Fontana Lithograph signed a 20 year lease, the Town issued a municipal bond in December 1997, and the Town purchased the property.

Aside from staff time (and not a small amount of anxiety on the part of the Town staff and elected officials when the project hit bumps in the road), the Cheverly-Fontana urban renewal project cost nothing to the Town of Cheverly. The monthly rent payments of \$26,000 will cover the \$3.6 million dollars borrowed. The benefits of the Cheverly-Fontana

continue on page 14



These photos show the dramatic transformation of property that was an eyesore to a thriving business and employer in Cheverly.

Cheverly's Urban Renewal Program has since been used to acquire abandoned residential properties and sell them to private developers for renovation, resale, and, most important, rehabilitation. The net result has been the removal of nuisances from neighborhoods and the raising of property values.

partnership have been incredible. The Town is receiving increased revenue in the form of tangible personal property taxes (which exceed the amount the Town was getting through property taxes when the building lay vacant). Approximately 100 jobs are being created and, in 20 years, Cheverly will receive exceptional property taxes when the Town sells the property to Fontana for \$1. The Town erased a public nuisance, which had been a catalyst for urban decay.

The benefits for Fontana have also been sizable: (1) a low interest rate on capital improvement funding due to the municipality's tax-exempt borrowing power; (2) "borrowed" money to renovate and purchase the property, which does not appear as a debt against the company so that it has greater ability to borrow from commercial lenders; (3) no real estate taxes for 20 years; and (4) the ability to design its manufacturing plant to best suit its needs. The surrounding business owners benefit by the elimination of urban blight in this industrial park.

Cheverly's Urban Renewal Program has since been used to acquire abandoned residential properties and sell them to private developers for renovation, resale, and, most important, rehabilitation. The net result has been the removal of nuisances from neighborhoods and the raising of property values.

The program is innovative because it empowers small towns to take the urban decay bull by the horns and do something about it, instead of being at the mercy of larger governmental agencies that may not, cannot or will not address the town's concerns.

The program and its aspects are easily replicable by any governmental entity. An obstacle may be obtaining the authority to condemn property from the State legislature (although Cheverly had no difficulty in this regard). In addition the jurisdiction must have general funds available or the ability to float bonds and the support of the taxpayers to pledge the government's full faith and credit. Finally, some towns may encounter property owners who are reluctant to agree to accept the fair market value, (which is the value of the property under normal usable condition minus the cost of repairs to bring it to that normal usable condition), and elect to go through the judicial condemnation. Although a property in a blighted state may be hard to defend, there are legal costs and the potential to encounter a judge who does not agree with the process. Finally, a municipal Urban Renewal Program, especially one that takes on such large properties as did Cheverly's, cannot work without talented and dedicated staff and a supportive Mayor and Council.

According to the "Broken Window Theory" a community's perception of safety is greatly influenced by the aesthetic appearance of the neighborhood. If one window is broken, and allowed to stay that way, it is only a matter of time until all of the windows are broken. Blight breeds blight. A community that allows a window to remain broken indicates to all that no one cares. Such a community is fertile ground for the criminal element to take root and flourish. Cheverly's Urban Renewal Program helps repair those "broken windows" and keep its neighborhoods attractive and safe. ■

C

Date: 9/19

POLICY AND PROCEDURES

URBAN RENEWAL AUTHORITY

The use of Urban Renewal Authority granted by the Maryland State Legislature comes with specific requirements to insure a fair and consistent means of administration and use.

Staff Recommendations

An Urban Renewal Plan must be developed and submitted to the governing body for consideration. The Plan should include, but not be limited to, properties identified as blighted, abandoned, in disrepair, dangerous or critical to economic development. All efforts should be made to notify the public of the Town's intent to discuss and adopt an Urban Renewal Plan.

Each property should be inventoried noting the location, owner, square footage, structural defects, hazardous conditions, state of disrepair, length of time vacant and/or in disrepair. Photographs and a history to include violation notices should be included as well as any/all correspondence with the property owner. If possible, the impact on the community should be provided in as objective a means as possible.

Although not an Urban Renewal Program requirement for blighted/dilapidated/abandoned properties, consideration should be given regarding the disposition. Is the intent to rehabilitate the structure? Is the intent to demolish the structure? What could/should be the intended use of the structure or site? Does the Town intend to continue to own the property? A vision of intent is always preferred.

Presentation to the Governing Body

The Governing body must adopt a Resolution that includes a list of the areas included in the Urban Renewal Plan and a finding of fact that rehabilitation or redevelopment of the area is necessary. The areas listed must meet the authorizing legislation criteria.

Acting on the Plan

To initiate action on a property in the plan, the Governing Body must hold a Public Hearing, meeting the requirements as prescribed, before initiating a project contained with the Plan.

The Governing body may refer the proposed property to initiate action from the plan to the local Planning Agency/Board/Commission.

Governing Body

Individual notices must be sent to any/all property owners whose property is being recommended for action from the Plan. Consideration should be given by the Governing Body to allocate time to these property owners to address the Plan.

The Governing Body may accept and adopt the Urban Renewal Plan Resolution. The Governing Body may reject the Urban Renewal Plan Resolution. The Governing Body may amend and/or delete any property recommended on the Urban Renewal Plan Resolution.

Planning Agency/Board/Commission

The Commission may be charged with reviewing the properties listed and providing a report/recommendation to the governing body as the validity of taking action to address a property in the Urban Renewal Plan. The Commission is viewed under the law as an independent entity to serve as a checks and balances measure and confirm the necessity for each properties inclusion.

Amendment of an Urban Renewal Plan

If/after the Governing Body formally adopts a final version of the Urban Renewal Plan Resolution, then future additions and/or deletions of properties from this plan must be done formally by an amendment vote of the Governing Body.

WITH AN ADOPTED PLAN

The Town Staff may now be given direction to bring before the Governing Body suggested properties for the initiation of action regarding of projects listed in the Urban Renewal Plan.

EXAMPLE:

A building has been abandoned and has fallen into disrepair. The dilapidated state of the structure/site clearly has a negative impact on the community. Efforts have been made to work with the owner in order to bring the site up to standards, but to no avail.

The Town decides to exercise its Urban Renewal Authority, as the above noted procedures have been followed and the property is part of the Urban Renewal Plan, and notifies the owner of its intent. Negotiations to acquire the property in an amicable way should be of first priority.

Only after all efforts to acquire the property amicably are exhausted should the owner be informed that it is the Town's intention to acquire the property for Fair Market Value.

Determining Fair Market Value begins with the acquisition of an independent appraisal. The appraisal must be notably qualified relative to the property (e.g. residential or commercial).

Under the Urban Renewal guidelines, the appraisal of the property includes the value minus the cost of repairs. This process determines the Fair Market Value.

Upon receipt of the appraisals, the Governing Body must decide whether to pursue the acquisition of the property for the Fair Market Value. The Governing Body can proffer the FMV purchase amount to the owner in an attempt to amicably purchase the property. If the property owner declines, the Governing Body must decide whether go forward through the court system.

If it goes to court, then the property owner will most likely provide their own appraisal with their FMV. It should be noted that at this point it is the Judge's call in determining the FMV. The Town will then have the opportunity to purchase the property for the court set price. If the Town does not purchase the property, it will be held responsible for reimbursement of all of the owner's legal expenses.